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SECTION I – INTRODUCTION AND OVERVIEW OF REQUIREMENTS

A. PURPOSE OF THIS REQUEST FOR PROPOSAL

The purpose of this Request for Proposal (RFP) is to solicit proposals from Qualified Business Partners (QBP) to provide an integrated Pension System. The solution will replace multiple existing systems and is intended to enable significant change to business processing while also ensuring compliance with the California Public Employees' Retirement System (CalPERS) Board of Administration (Board) policies, statutes, and regulations.

The Corporate Online Member Employer Transactions (COMET) - Pension System Resumption (PSR) Project (PSR Project) is using an alternative procurement employing a multi-step process. The PSR Project procurement strategy incorporates a deliverable-based payment structure with contract award based on the "best value" proposed solution. CalPERS issued an Invitation to Partner (ITP) and responses to the ITP were used to establish business partner relationships with QBPs who have significant experience and expertise in the pension business and technology areas. QBPs are now invited to submit proposals for the PSR Project. Ultimately, the QBP presenting the "best value" proposed solution will be selected.

The "alternative procurement" method focuses requirements on business need ("what must be done"), not on current methods or constraints ("how it is currently done"). This is evidenced by the requirements statements themselves which are written at a summary level of detail. In doing this, CalPERS is prompting QBPs to propose alternative solutions to address the underlying business need without being constrained by CalPERS current methods. Receiving these alternative solutions for consideration clearly benefits CalPERS. The QBPs also benefit in that they are afforded the opportunity to propose a solution which they feel meets CalPERS needs while also reflecting industry best-practice.

Steps in this process include CalPERS and the QBP engaging in dialogue to strengthen the QBP's understanding of the requirements and the procurement process. Several reviews and discussion meetings are scheduled during the procurement phase of this project. CalPERS values the QBP's assessment and input regarding the requirements and this process. Accordingly, it is very important that the QBP have a clear understanding of the alternative procurement process, their role in the process, and CalPERS requirements so they can take appropriate action to help ensure success.

CalPERS seeks to select and enter into a contract with a QBP to provide a modern integrated Pension System to replace the existing Legacy Contracts, Enrollment, Contribution Reporting, and Benefit Payment systems, both automated and manual, and integrate and/or eliminate some interface systems. CalPERS is not specifying hardware, software, or a proposed solution, but has indicated telecommunications and architectural preferences. CalPERS will provide some restrictions for those existing platform or infrastructure areas that cannot be replaced.

B. BACKGROUND

Prior to 1995, the CalPERS Pension System consisted of batch-oriented mainframe architecture with numerous overlapping databases that carried a high rate of redundant data elements. These legacy systems support four core business components: (1) contracts with organizations; (2) enrollment of employees, retirees, and health benefit recipients; (3) contribution reporting activities; and (4) payment of benefits for all retired employees.

Core Pension Components

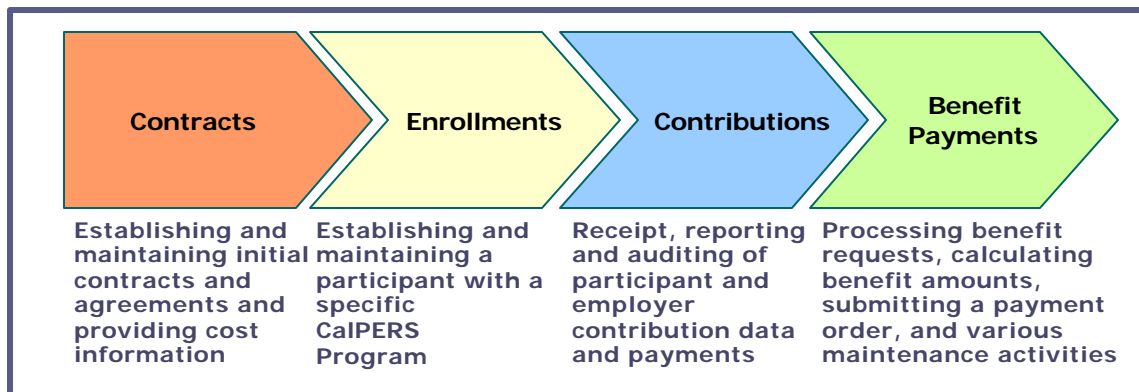


Illustration I.1 – Core Pension Components

In the mid-1990s, CalPERS made the decision to move to a centralized (or corporate) database concept to expand performance capabilities, address Year 2000 (Y2k) issues, be more responsive to changing customer and stakeholder demands, and to resolve the problems created by the excessive amounts of redundant data contained in the legacy pension systems. The Corporate Database (CDB) concept was established as the COMET Project.

This concept called for the creation of a single unified repository for all Pension System information (data) needed by CalPERS and their business partners to:

- Reduce redundancy and increase the accuracy of pension data;
- Improve timeliness by replacing batch processing with online processing;
- Increase scalability by replacing the mainframe architecture with client/server architecture;
- Increase systems development productivity by introducing object-oriented programming to implement the concept of re-use of programming code;
- Improve CalPERS ability to deliver critical services more timely; and,
- Incorporate new systems that interface with the pension system.



The COMET strategy included the development of the CDB, in addition to other systems that would interface with the CDB. The strategy encompassed six (6) phases and ten (10) projects to replace the CalPERS primary legacy pension applications and add additional functional systems. The phases are described below:

1. Member Action Request System (MARS) Project – Was the pilot or proof-of-concept to validate the technology, architecture, and business impact of the CalPERS CDB project. This was completed in 1997.
2. Actuarial Valuation Project – Implemented a system to support the Actuarial Office in performing annual valuations for assets, which determine employer rate projections. This was a new system that did not replace a legacy application. This was completed March in 1998.
3. Health Benefits Enrollment Project – Built new client/server applications to replace legacy Health Benefits enrollment applications. This was completed in August in 1998.
4. Employer and Member Enrollment Project – Involved the management of employer contracts, management of enrollees, contribution and service credit reporting and refunds, and service credit buy-backs for both replacement of legacy systems and the addition of new supporting system functionality. This was an extremely large and critical step and was further divided into five sub-projects, as follows:
 - The first sub-project was designed to replace the member and employer legacy systems and to fix Y2k issues. This effort was completed in 2001; however, the work to decommission the legacy databases is scheduled to be completed in 2006.
 - The second sub-project was to replace the legacy Contribution Reporting and Employer Reserves systems. Reengineering was completed on these systems in 2000, and a commercial off-the-shelf (COTS) product was competitively acquired in 2001. However, implementation of that product was stopped early in the integration/implementation effort.
 - The third sub-project, called the Transaction Log (T-Log) application, is a process that transmits State employee information from the State Controller's Office to CalPERS through an electronic message to update employee information that resides on the COMET database. This application was completed initially in February 1998 and updated in late 2001 with the implementation of the Member and Employer System replacement.
 - The fourth sub-project was to replace the existing legacy systems for both the Judicial and Legislative retirement systems. This part is yet to be completed.



- The fifth sub-project was the ongoing synchronization of data in the new Actuarial Valuation System with the data in the CDB. This project was completed in late 2000.
- 5. Financial Project – encompassed general ledger, receivables, payables, purchasing, and asset management modules to replace the legacy Accounting Resource Management System (ARMS). This project was completed in July 1998 with the implementation of the PeopleSoft financial solution.
- 6. Retirement Benefits Administration Project - had been planned to replace the legacy Retirement Information and Benefits System (RIBS), which processes all retirement and benefits functions. This project is yet to be completed.

The intent of these projects was to incorporate data into the CDB which either now or will consist of the following applications:

- Health Medical – A client/server application written primarily in Forté 4GL containing data for disability information, retirement system status, health enrollments, dependents, health plan, health benefits, deduction history, annual health statement, carrier medical contracts, medical recipients, etc.
- Employer – A client/server application written primarily in Forté 4GL consisting of both online and batch functionality. The major processes and functions of the application consist of the establishment and maintenance of employer organizations including demographics, address, contact, and rate plan information; creating and maintaining employer contracts including coverage groups, benefit packages, and provisions; handling employer and contract related changes such as mergers, transfers, and terminations; and generation of a variety of reports.
- Member – A client/server application written primarily in Forté 4GL providing functionality to enroll participants into the following CalPERS benefit programs: Public Employees' Retirement System (PERS), Legislators' Retirement System (LRS), and the Judges' Retirement System (JRSII). The JRSII application contains both online and batch processes that include demographics, addresses, enrollment, account maintenance, mass update, document generation, reports, and summary counts, etc.
- Transaction Log (T-log) – A client/server application written primarily in Forté 4GL that supports the State employee registration and enrollment information interface between the State Controller's Office and the CDB.



- ACES – The CDB provides the data source/backend processes for the e-business suite known as the Automated Communications Exchange System (ACES). ACES is a set of Java-based applications that allows employers to submit enrollment and payroll transactions via the internet and file transfer protocol.

Because several of the key elements of the COMET system strategy have not been implemented (primarily the legacy employer portion of the enrollment process), CalPERS must maintain a backbridge to move data between the legacy enrollment, contribution reporting, benefit payments systems, and the CDB, followed by a process to refresh the data in order to maintain synchronization of the legacy and CDB databases. CalPERS must maintain both legacy and the new CDB architecture and systems. In addition, support of Forté 4GL has been scheduled for phase-out in October 2006, and CalPERS is addressing the conversion of all systems that are written using this language.

This process together with the development of the CDB, has created a highly integrated development and maintenance environment that employs new and extremely technical and complex components. These components add difficulty in managing the new environments and applications. It also creates interdependencies among other systems and applications, major projects, and program areas. In an effort to achieve the originally desired benefits of the COMET Project, CalPERS has initiated completion of the original COMET strategy.

Additional detailed information on background and current systems is available in the PSR Reference Library.

C. RFP OVERVIEW

An overview of the RFP is provided below to assist the QBPs in understanding the flow and find specific information.

- Section II – Rules Governing Procurement: This section defines bidding requirements and conditions, procurement steps, and procedures for contract modification.

Exhibits to Section II include:

- Contract Provisions – Detailed provisions in the areas of business terms, financial, compliance issues, contractor and process integrity issues, general areas, and information technology are provided.
- Riders – Riders in addition to the Statement of Work (SOW) are included and address areas such as software, equipment, licensing, and training.
- Rider I – Personal Services: A detailed draft SOW is presented in this Rider and includes a description of services to be provided, responsibilities, deliverables, tasks, subtasks, and other contractual provisions that will be modified to fit the CalPERS proposed solution.



- Section III – Current Environment: This section defines the business problem to be addressed and also provides documentation of the current business and technical environments.
- Section IV – Concept of Operations: Business and Technical: The future target environment is defined in this section. This includes a conceptual business overview, technical target architecture, and a description of the proposed system.
- Section V – Administrative and Technical Requirements: Administrative requirements include QBP qualifications and responsibilities as well as project implementation and administration (e.g., plans and activities, management plan, staffing and organization, and work standards). Technical requirements are also presented across multiple technology tiers. RFP administrative and technical proposal items are documented for QBP response and include various response matrices and other required certification and declaration forms.
- Section VI – Business Requirements: Business requirements are organized around four (4) core business components: Contracts, Enrollment, Contributions, and Benefit Payments. Each business component includes a narrative overview of major business processes and identifies the applicable business requirements for each process. General requirements that apply across business components are also presented. The Business Requirements and Key business rules are included as exhibits and are organized by requirement. This section also includes a description of the required QBP response to each requirement.
- Section VII – Cost Tables: The QBP's Final Proposal is required to include detailed solution costing using required formats. This is defined in this section and also includes payment terms and acceptance criteria.
- Section VIII – Proposal Format: The required proposal is defined for each phase of this procurement, including Conceptual Proposal, Initial Draft, Final Draft, and Final Proposals.
- Section IX – Proposal Evaluation: This section defines the method to be applied in review of Conceptual, Initial Draft, and Final Draft Proposal submissions. The review of Final Proposals will undergo a multi-stage evaluation spanning all aspects including submission, administrative, technical, and business requirements as well as assessments of added-value and cost. The determination of the winning proposal and contract award is also discussed.
- Section X – Demonstrations: CalPERS reserves the right to request a proposed solution demonstration of any QBP. The procedures governing this process are defined here.
- PSR Reference Library: A library of supporting documentation is included with the RFP. Included in the PSR Reference Library is detailed information on



current business processes, technical environments and databases, data dictionaries, and various inputs and outputs.

D. QBP ADMONISHMENT

To be considered responsive, each QBP must develop a solution that addresses all the functions described herein and meets all of the requirements in the RFP.

The PSR Project must be implemented based on a phased approach using a project plan in which implementation of the overall solution is organized into distinct and separate phases. The completion of each phase must enable CalPERS to obtain value from that phase and enable the QBP to be reimbursed on CalPERS acceptance of that phase.

This alternative procurement phased approach is designed to increase the likelihood that Final Proposals will be received without disqualifying defects. The steps of the procurement are designed to:

- Provide the QBP the opportunity to gather information to assist them in understanding CalPERS requirements before attempting to develop their Final Proposals;
- Provide CalPERS the opportunity to gather more information to assist them in understanding what each QBP intends to propose before the proposals are finalized; and
- Give CalPERS and each QBP the opportunity to confidentially discuss specific elements of a proposal and give the QBP the opportunity to modify its proposal.

The QBP must:

- Take the responsibility to read the entire RFP carefully. If necessary, the QBP should ask questions as soon as an issue becomes apparent;
- Submit all required responses by the required dates and times; and
- Make sure that all procedures and requirements of the RFP are accurately followed and appropriately addressed.



E. CALPERS OFFICIAL

The CalPERS official and the mailing address for submitting proposals and other information in response to this RFP is:

Contracts Administrator
California Public Employees' Retirement System
Lincoln Plaza West
400 Q Street, Room W1570
Sacramento, CA 95814
(916) 795-2001
psr_solicitation@calpers.ca.gov

F. QBP DESIGNATED CONTACT

Correspondence directed to a QBP will only be given to the designated contact person. QBPs will submit Designation of Official Contact Person form, Attachment I.1, to the CalPERS Official identified in Section I.E. It shall be the QBP's responsibility to notify the CalPERS Official immediately, in writing, regarding any revision to the information pertaining to the designated contact person. CalPERS will not be responsible for proposal correspondence not received by the QBP if a QBP fails to notify CalPERS, in writing, in a timely manner about any change pertaining to the designated contact person. This form also provides the names of individuals who are authorized by the QBP to communicate with CalPERS regarding this RFP.